

Message Text

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ACTION EA-10

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TAGS: ETRD, EINV, JA, KS

SUBJECT: JAPAN-ROK TRADE CONFERENCE; JAPANESE INVESTMENT IN KOREA

REF: A. SEOUL 7105 B. TOKYO 13958

SUMMARY: ACCORDING TO FONOFF REP RECENT JAPAN-KOREA TRADE TALKS DEMONSTRATED RESTORATION OF BUSINESSLIKE ECONOMIC RELATIONS AT GOJ-ROKG WORKING LEVEL EVEN IN ABSENCE OF CONCRETE RESULTS. JAPANESE INVESTMENT IN KOREA IS EXPECTED TO RESUME EVENTUALLY, BUT JAPANESE BUSINESS COMMUNITY REPS SAY POSSIBLE U.S. MILITARY WITHDRAWAL IS SOURCE OF CONCERN FOR POTENTIAL JAPANESE INVESTORS. END SUMMARY.

1. ON OCTOBER 30 EMBOFF MET WITH FONOFF REP WHO HAD ATTENDED RECENT JAPAN-ROK TRADE CONFERENCE (ASAKAI, DEPUTY DIRECTOR, NORTHEAST ASIA DIVISION) TO REVIEW OUTCOME OF TALSK. ASAKAI'S ASSESSMENT, SIMILAR TO THAA REPORTED REF A, AS FOLLOWS:

2. PLENARY SESSION OCTOBER 21 DISCUSSED KOREAN REQUESTS FOR:

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A) LOWERING OF JAPANESE TARIFFS ON GOODS OF INTEREST TO KOREA.

B) IMPROVEMENT OF JAPAN'S GENERALIZED SCHEME OF TARIFF PREFERENCES, PARTICULARLY REMOVAL OF RESTRICTION LIMITING GSP BENEFITS AVAILABLE TO ANY SINGLE SUPPLIER COUNTRY TO 50 PERCENT OF THE QUOTA OF ANY GIVEN COM-MODITY ELIGIBLE FOR GSP UNDER JAPAN'S SCHEME. THIS WOULD BENEFIT KOREA.

C) MORE FAVORABLE TARIFF TREATMENT OF KOREAN EXPORTS TO JAPAN WHICH INCORPORATE SEMI-FINISHED PRODUCTS PREVIOUSLY IMPORTED FROM JAPAN.

D) JAPANESE INVESTMENT IN AREAS DESIGNED TO BOOST KOREAN EXPORTS.

E) EXPORTS OF KOREAN SEAWEED AND SILK YARN TO JAPAN. AS REPORTED REF A JAPANESE SIDE REQUESTED KOREANS ALLOW IMPORTATION INTO KOREA OF MORE JAPANESE FILMS. SECOND DAY OF TALKS DEVOTED TO WORD-BY-WORD NEGOTIATION OF RECORD OF DISCUSSIONS.

3. OTHER THAN AGREEMENT TO CONSULT ON SILK PROBLEM (ABOUT WHICH THERE WAS QTE VIGOROUS UNQTE EXCHANGE OF VIEWS), NO SPECIFIC RESULTS OR CONCLUSIONS EMERGED FROM TALKS, BUT JAPANESE SIDE DID SAY IT WOULD TAKE KOREAN VIEWS AND REQUESTS INTO CONSIDERATION AND SEE WHAT COULD BE DONE.

4. TALKS ALSO INCLUDED QTE PERENNIAL ARGUMENT UNQTE ABOUT JAPAN-KOREA TRADE IMBALANCE, WITH KOREANS NOTING THAT ABSOLUTE AMOUNT OF THEIR DEFICIT REMAINS AT 500 MILLION DOLLAR LEVEL AND JAPANESE REBUTTING THAT IMBALANCE AS PERCENTAGE OF GROWING TWO-WAY TRADE IS GETTING SMALLER. (ASAKAI SAID GOJ FEELS THAT DEFICIT IS UNAVOID-ABLE AT PRESENT STAGE OF KOREAN ECONOMIC GROWTH IN VIEW OF LARGE KOREAN IMPORTS FROM JAPAN OF CAPITAL GOODS AND JAPANESE AID-FINANCED ITEMS. KOREA IS BECOMING MORE COMPETITIVE IN SOME FIELDS VIS-A-VIS JAPAN AND MAY COME TO ENJOY BILATERAL SURPLUS IN 5 TO 10 YEARS, HE SAID.)

5. ATMOSPHERE OF TALKS WAS NOT NOTICEABLE DIFFERENT LIMITED OFFICIAL USE

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FROM EARLIER YEARS. TALKS WERE QTE SERIOUS AND TOUGH UNQTE, BUT ATMOSPHERE WAS NOT UNFRIENDLY. RECALLING THAT GOJ HAD TRIED TO FOLLOW BUSINESS-AS-USUAL APPROACH ON ECONOMIC MATTERS SINCE TIME OF KIM DAE JUNG INCIDENT LAST YEAR, AND THAT GOJ HAD BEEN PREPARED TO HOLD TRADE TALKS AS ORIGINALLY SCHEDULED, ASAKAI SAID SIGNIFICANCE OF TALKS IS THAT BUSINESSLIKE ECONOMIC RELATIONS AT WORKING LEVEL HAVE BEEN RESTORED AND QTE VERY UNUSUAL SITUATION

UNQTE WHICH AROSE FOLLOWING ASSASSINATION ATTEMPT HAS BEEN OVERCOME.

6. IN SEPARATE CONVERSATION MITI REP (KURODA, DIRECTOR, INTERNATIONAL TRADE DIVISION, CONSUMER GOODS INDUSTRIES BUREAU) GAVE GENERALLY SIMILAR ACCOUNT OF TRADE TALKS. KURODA ADDED HE ALSO HELD SEPARATE DISCUSSION WITH WORKING-LEVEL ROKG OFFICIALS ON TEXTILES, DURING WHICH HE POINTED OUT TO KOREANS THAT
A) JAPANESE TEXTILE INDUSTRY NOW IN SERIOUS SLUMP AND
B) JAPANESE IMPORTS OF TEXTILES TREBLED IN 1973, IN PART BECAUSE OF KOREAN EXPORTS RISING TO 16 PERCENT SHARE OF CONSUMPTION. AS RESULT GOJ UNDER STRONG PRESSURE FROM DOMESTIC INDUSTRY AND SOME POLITICIANS TO IMPOSE RESTRICTIONS ON KOREAN TEXTILE IMPORTS. KURODA ASKED FOR ROKG UNDERSTANDING AND RESTRAINT ON TEXTILES SO AS TO AVOID NECESSITY FOR SUCH RESTRICTIONS.

7. TURNING TO QUESTION OF JAPANESE INVESTMENT IN KOREA, ASAKAI DURING OCTOBER 30 CONVERSATION WITH EMBOFF SAID HE PERSONALLY FEELS THAT OVER SHORT RUN JAPANESE INVESTORS ARE GOING TO BE MORE CAREFUL AND MORE RELUCTANT ABOUT INVESTING IN ROK, BUT THAT OVER LONGER TERM JAPANESE INVESTMENTS IN KOREA WOULD CONTINUE TO INCREASE AT MODERATE RATE. ATTENTION OF KOREAN GOVERNMENT AND JAPANESE INVESTORS IS SWITCHING TO LARGE HEAVY INDUSTRY PROJECTS. THOUGH ASAKAI DOUBTED AGREEMENT ON SUCH PROJECTS WOULD BE REACHED THIS YEAR, AGREEMENT IF REACHED ON ANY PROJECT WOULD MEAN LARGE NEW INFLOW OF JAPANESE CAPITAL. ASAKAI NOTED ROKG'S EFFORTS TO ATTRACT INVESTMENT CAPITAL TO KOREA FROM COUNTRIES OTHER THAN JAPAN AND THUS LESSEN KOREAN DEPENDENCE ON JAPANESE CAPITAL, AND SAID LIMITED OFFICIAL USE

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GOJ WOULD WELCOME KOREA'S DIVERSIFICATION OF ITS SOURCES OF CAPITAL.

8. DURING EARLIER CONVERSATION WITH EMBOFF OCTOBER 25, OFFICIALS OF PRIVATE JAPAN-KOREA ECONOMIC COMMITTEE SAID DECREASE IN JAPANESE INVESTMENT IN KOREA IN 1974 WAS DUE TO COMBINATION OF ECONOMIC AND POLITICAL FACTORS. AMONG LATTER WERE ANTI JAPANESE MOOD AND LABOR PROBLEMS IN ROK, DOUBTS ABOUT STABILITY OF ROK GOVERNMENT, AND, MOST IMPORTANTLY, CONCERN OVER POSSIBLE WITHDRAWAL OF U.S. FORCES FROM KOREA.
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